

Commerce Bancshares, Inc.

1000 Walnut Street
Kansas City, MO 64106

Electronic: <http://www.regulations.gov>

January 6, 2017

Robert deV. Frierson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington D.C. 20551

Re: Docket No: R—1549
Loans in Areas Having Special Flood Hazards- Private Flood Insurance

Dear Mr. deV. Frierson:

Commerce Bancshares, Inc. (“CBI”) is a regional bank holding company with one bank subsidiary, Commerce Bank, (“Commerce”), and total assets of \$24.7 billion as of June 30, 2016. Commerce is a full-service bank, with approximately 350 banking locations in Missouri, Illinois, Kansas, Oklahoma, and Colorado. A full line of banking services, including investment management and securities brokerage, is offered. CBI also has operating subsidiaries involved in mortgage banking, credit related insurance, and private equity activities.

Currently, a lender may accept private flood insurance to fulfill the requirements of Regulation H, §208.25, at their discretion. The proposal would require a member bank to accept flood insurance that meets the regulatory definition of “private flood insurance,” which would require a lender to compare the private flood insurance policy to a Standard Flood Insurance Policy (“SFIP”) to ensure the requirements of the regulation were met.

We are concerned this mandate would require extensive review by a member bank, and, in general, member banks do not maintain in-depth expertise in the evaluation of insurance policies. Furthermore, if a member bank were in good faith to accept a private flood insurance policy that upon regulatory review was deemed to not have met the requirements, it could be deemed to be a violation, as well as rejecting private flood insurance policies deemed to be acceptable.

We appreciate the inclusion of a compliance aid; however, it should be noted that a lender would still be required to perform in-depth analysis of the sections of the flood insurance policy identified by the insurer, as the aid requires member banks “verifies in writing that the policy includes the provisions identified by the insurer in the summary provided pursuant to paragraph (c)(3)(ii)(A) of this section and that these provisions satisfy the criteria included in the definition...” (*Emphasis added.*) The provision providing discretionary acceptance of flood

insurance policies that do not meet the definition of private flood insurance would also require similar review and documentation, however, a member bank could choose not to accept this risk.

We recommend §208.25(c)(3)(ii)(B) be modified to remove “and that these provisions satisfy the criteria included in the definition,” so that a member bank could rely on the evaluation by the insurer that the policy meets the definition of private flood insurance.

We appreciate the opportunity to comment on the proposed amendment to Regulation H, Loans in Areas Having Special Flood Hazards, and your consideration of our concerns.

Sincerely,

Emily Gebhardt Munson
Compliance Research Administrator
Commerce Bancshares, Inc.